

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2135-03  
Bill No.: HCS for HB 842 & 831  
Subject: Education, Proprietary: Teachers; Children and Minors  
Type: Original  
Date: May 2, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$35,000)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$35,000)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

In response to the introduced versions of these two proposal, officials from the **Office of Administration - Administrative Hearing Commission, Department of Public Safety - Office of Director**, and the **Department of Insurance**, state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

In response to the introduced versions of these two proposals, officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 18 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,107 for FY 2006. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

ASSUMPTION (continued)

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Joint Committee on Public Employee Retirement** assume this proposal would not affect retirement plan benefits as defined in Section 105.660 (5).

Officials from the **Coordinating Board for Higher Education** state this proposal will have no fiscal impact on their agency; however it may have a fiscal impact on higher education institutions that currently sponsor charter schools or those that choose to do so in the future due to broadening the scope of possible sponsors.

Officials from **Missouri Western State College** stated this proposal would have no fiscal impact on their institution.

Officials from the **Saint Louis Community College** state they have not sponsored any charter schools and that the proposed legislation will have no fiscal impact on their institution at this time.

Officials from the **University of Missouri System** stated no additional costs would result from this proposal as written.

Officials from **Central Missouri State University**, in response to similar legislation from this session (SB 455), stated this proposal would have no fiscal impact on their institution

In response to similar legislation from this session (SB 455), officials from **Harris-Stowe State College** estimated expenses relating to sponsorship of a charter school at \$75,000 to \$90,000 per year. **Oversight** assumes this amount is included in the total allocated per Section 160.415, RSMo.

Officials from the **City of Saint Louis** state that although the proposal does increase the Mayor's ability to sponsor a charter school it does not, however, direct any general fund moneys to fund the charter school. There is no fiscal impact on the City of Saint Louis.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume state funding to the charter schools does not change as a result of this proposal, just who sends the

ASSUMPTION (continued)

money to the charter. The state would be capturing both the local and state piece from the district calculation and sending it to the charter. DESE will experience internal costs to revise various data collection instruments and payment programs to treat charter schools as local education authorities (LEA). Costs may approach \$35,000 to change all the necessary computer programs. DESE cannot determine how many sponsors may lose their authority to operate charter schools, nor can DESE estimate the extent of public hearings which may arise resulting from Section 160.400.14. Due to these unknowns and the additional accounting duties required by section 160.400.9 as well as the unknowns created by section 160.400.2, we foresee the need for 1.0 accounting specialist to administer the proposal and mitigate the increased demand for technical assistance.

**Oversight** assumes there would be a limited number, if any, out-of-state sponsors and that few sponsors in any given year would be removed from sponsoring a charter school. If administrative duties do increase significantly, personnel and expenses could be requested through the appropriations process.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Cost</u> - Department of Elementary and Secondary Education - Reprogramming costs	<u>(\$35,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$35,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## DESCRIPTION

### SECTION 160.400

This proposed legislation permits sponsorship of charter schools by private universities with their primary campuses in the metropolitan area of a district where charters are authorized if the college has at least 1,000 students and an approved teacher preparation program. The mayor of the City of St. Louis may request the sponsorship of a workplace charter school, as defined in the proposal.

The current maximum of 5% of a district's buildings being available for conversion to charter schools is repealed, as is the provision that a charter school cannot be located on district property without the district's consent.

### SECTION 160.400.9

The Department of Elementary and Secondary Education (DESE) will disburse to the sponsor 1.5% of a charter school's aid allocation to defray the costs of sponsorship.

### SECTION 160.400.11

Charter sponsors must ensure that criminal background and child abuse registry checks are conducted for all members of the school's governing board.

### SECTION 160.400.12

Charter school governing board members must not be employed by the charter school or any company that provides substantial services to the charter school. Board members are considered to be decision-making public servants for financial disclosure purposes, and companies managing the schools are to be considered quasi-public governmental bodies.

### SECTION 160.400.14

The State Board of Education may require remedial action for a sponsor that it finds is not discharging its responsibilities correctly. If the state board removes the sponsor's authority to operate a school, the state board becomes the temporary sponsor for up to three years.

### SECTION 160.405

The proposal specifies several technical changes to the charter application process, clarifying

DESCRIPTION (continued)

what items must be submitted and on what timetable.

Alternative charter schools will be judged on their performance on measures selected by the sponsors, as well as standardized public school measures.

SECTION 160.505.6

Charters must be reviewed when operation or management is transferred to another entity and may be amended if a charter school decides to become a local education agency (LEA) for purposes of seeking direct access to federal grants.

SECTION 160.505.11

Board members are subject to liability as if they were members of school boards, and charter schools may participate in the Missouri Public Entity Risk Management Fund.

SECTION 160.505.13

The chief financial officer of a charter school must maintain a surety bond in an amount determined to be sufficient by the school's board based on its cash flow.

SECTION 160.515

A charter school that has declared itself as a local educational agency (LEA) shall receive from the department of elementary and secondary education an annual amount equal to the product of the equalized, adjusted operating levy for school purposes for the pupils' district of residence for the current year times the guaranteed tax base per eligible pupil, times the number of the district's resident pupils attending the charter school plus all other state and federal aid attributable to such pupils, including summer school, if applicable, and all aid provided under section 163.031, RSMo. If a charter school declares itself as a LEA, DESE shall, upon notice of the declaration, reduce the payment made to the school district by the amount specified in this subsection and pay directly to the charter school the annual amount reduced from the school district's payment.

SECTION 160.420

Charter schools offering a foreign language immersion program are not required to meet the minimum percentage for certificated teachers, but any teachers who teach in a foreign language must have proper credentials from the country in which they received their teacher training. No charter school may employ a teacher whose certificate has been revoked or is suspended.

DESCRIPTION (continued)

retirement plan of the employer. Currently, a district employee who contracts as a teacher with a charter school may retain seniority in the district indefinitely; the substitute limits the period to three years.

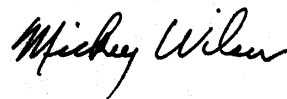
SECTION 167.349

Allows the University of Missouri - Rolla to sponsor charter schools.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Coordinating Board for Higher Education  
Office of Administration  
    Administrative Hearing Commission  
Office of State Courts Administrator  
Department of Public Safety  
    Office of the Director  
Department of Insurance  
Joint Committee on Public Employee Retirement  
Office of Secretary of State  
    Administrative Rules Division  
City of Saint Louis  
Missouri Western State College  
St Louis Community College  
Central Missouri State University  
Harris-Stowe State College  
University of Missouri System



Mickey Wilson, CPA  
Director

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